PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item #7 (Rev. 1)

Agenda ID #16071

ENERGY DIVISION **RESOLUTION E-4889**

December 14, 2017

REDACTED

R E S O L U T I O N

Resolution E-4889: Approves, with modifications Pacific Gas and Electric Company (PG&E) Advice Letter (AL) 5096-E,[1] Southern California Edison Company (SCE) AL 3620-E/3620-E-A/3620-E-B and San Diego Gas and Electric Company (SDG&E) AL 3089-E.

PROPOSED OUTCOME:

- This Resolution approves with modifications SCE's AL 3620-E/3620-E-A/3620-E-B and SDG&E's AL 3089-E to start the Competitive Solicitation Framework Incentive Pilot solicitation process. This Resolution also approves concepts that will apply to PG&E's AL 5096-E although issues specific to that AL will be resolved separately.
- Resolves and clarifies services that may qualify as incremental resources for the purposes of this pilot.
- Resolves and clarifies issues included in the Utilities' Request for Offers (RFO) materials.

SAFETY CONSIDERATIONS:

[1] Principles discussed in this Resolution will apply equally to PG&E. However, based on PG&E's request, the Commission will address issues specific to PG&E's AL 5096-E separately.

- Utilities proposed contingency plans in the event a Distributed Energy Resources (DER) solution fails to meet the need identified by the Utility.

ESTIMATED COST: Unknown at this time.

By PG&E Advice Letter 5096-E filed on June 16, 2017, SCE Advice Letter 3620-E filed on June 15, 2017, SCE Advice Letter 3620-E-A filed on July 28, 2017, SCE Advice Letter 3620-E-B filed on September 11, 2017, and SDG&E Advice Letter 3089-E, filed on June 21, 2017.

SUMMARY

This Resolution approves with modifications, SCE and SDG&E's ALs requesting Commission approval to procure DERs under the Competitive Solicitation Framework Incentive Pilot. On November 20, 2017, PG&E requested an extension to file its supplemental compliance filing to AL 5096-E to May 1, 2018 due to the severe damage caused by the recent fires in the Santa Rosa area. Based on PG&E's request, which is granted, the Commission will address PG&E's AL 5096-E separately.

This Resolution resolves many technical and policy issues needed to achieve the principles of Decision (D.) 16-12-036 that the solicitation must be technology agnostic.

BACKGROUND

On October 2014, the Commission established Rulemaking (R.) 14-10-003 to consider developing and adopting a regulatory framework that provides consistent policy direction for demand-side resource programs. The Assigned Commissioner and Administrative Law Judge issued three scoping memos due to the complexity of the issues in the proceeding and after conducting several workshops, the Commission in D.15-09-022 expanded the scope to focus on the integration of DERs in a holistic way and conjoin the proceeding with the

Distribution Resource Plan (DRP) proceeding (R.14-08-013) in implementation of Assembly Bill (AB) 327 (Perea, 2013).[2]

On March 24, 2016, the Commission issued a ruling establishing the Competitive Solicitation Framework working group (working group) tasked with developing a framework to procure DERs to meet distribution grid needs in areas identified in the DRP proceeding. On August 1, 2016, the working group filed its final report with recommendations for the Competitive Solicitation Framework.

On December 22, 2016, the Commission issued D. 16-12-036 adopting the consensus working group's recommendations from the final report (report). The decision also approved a pilot incentive mechanism structured as a four percent pre-tax regulatory incentive. To test the Competitive Solicitation Framework, the decision required the Utilities to each identify one project where the deployment of DERs on the system would displace or defer the need for capital investments on traditional distribution infrastructure. To test the incentive mechanism, the Utilities are encouraged to select up to three additional projects.

D.16-12-036 identified steps for the completion of the pilot. It directed the Utilities to hire an Industry Consultant who will observe the entire pilot process and assist in developing a technology neutral pro-forma contract for future use in the Competitive Solicitation Framework. It adopted the working group's recommendation to establish a Distribution Planning Advisory Group (DPAG) that will consider the rules and oversight regarding solicitation of DERs to defer or displace distribution infrastructure. The Utilities were to consult with the DPAG on any projects selected for the pilot. The decision also required the Utilities to retain an Independent Professional Engineer (IPE) who will act as a member of the DPAG and the Utilities' Procurement Review Group (PRG). The decision explained that the role of the IPE is to advise the Utilities in developing bid evaluation methods, prepare reports on the distribution planning process proposals and the DER deferral process, provide a presentation to the DPAG on

[2] Public Utilities Code Section 769.

the Utilities' processes for identifying distribution deferral need, and provide a presentation to the PRG on the Utilities processes for evaluation of non-wires DER deferral projects.

The Utilities were also required to propose and consult with the DPAG on their methods to ensure resources procured are incremental to existing efforts and avoid double-counting of services provided.

Within six months following the issuance of D.16-12-036, the Utilities were directed to file a Tier 3 Advice Letter requesting Commission approval to procure a DER solution for the project(s) they selected for the pilot. The decision required Energy Division to host a workshop to discuss the contents of the advice letters filed, establish a schedule to allow for protests and responses to protests, and issue a draft resolution.

Following the issuance of a Commission resolution, the Utilities are required to complete their pilot solicitation processes within four months. Within six months following the issuance of the Commission resolution, the Utilities are required to consult with the PRG on any and all proposed contracts resulting from the solicitation.

- **Formation of the DPAG, Retention of the IPE and Technology Neutral Pro Forma Consultant.**

As mandated by D.16-12-036, on February 22, 2017, the Utilities formed a single DPAG notifying and inviting parties from the R.14-10-003 (IDER) and R.14-08-013 (Distributed Resources Plan) proceedings to participate in the DPAG. The Utilities also hired a Technology Neutral Pro Forma Consultant and an IPE who participated in the DPAG meetings.

The Utilities held seven weekly DPAG meetings from March 2, 2017 through April 20, 2017 to discuss the Utilities planning process, evaluation methodology, incremental methodology, project selection, contingency planning, and the IPE presentation.

On April 6, 2017, the Utilities had individual meetings with the DPAG and presented their deferral project candidates, the selection criteria, and the projects selected for the pilot.

- **Advice Letters Filed**

SCE filed AL 3620-E on June 15, 2017, AL 3620-E-A on July 28, 2017, AL 3620-E-B on September 11, 2017; PG&E filed AL 5096-E on June 16, 2017, and SDG&E filed AL 3089-E on June 21, 2017 requesting Commission approval to procure DER(s) for the pilot. As noted above, based on PG&E's request, the Commission will address PG&E's AL 5096-E separately. However, we expect the principles discussed here will apply equally to PG&E. On July 10, 2017 the Commission's Energy Division held a workshop to discuss the contents of the advice letters filed and established a schedule to allow for protests and responses to protests.

a) SCE – Advice Letter (AL) 3620-E/3620-E-A/3620-E-B

On June 15, 2017 SCE filed AL 3620-E requesting approval to launch its IDER pilot solicitation.[3] In this filing, SCE selected three deferral projects for the pilot. On July 28, 2017, SCE filed a supplement modifying the total number of its proposed deferral projects from three to two.[4] SCE explained that the Bassett 66/12 kV substation transformers project[5] has reached the end of its useful life and must be replaced immediately due to risk of failure during operation thereby precluding a DER alternative procured over a longer timeline. On September 11, 2017, SCE filed a second supplement explaining that a recent customer load growth analysis requires SCE to modify one of its proposed projects.[6] SCE's proposed projects are:

[3] SCE AL 3620-E, June 15, 2017.
[4] SCE AL 3620-E-A, July 28, 2017.
[5] SCE in AL 3620-E originally selected the Bassett Project as one of the deferral projects for the pilot, p. 8.
[6] SCE AL 3620-E-B, September 11, 2017.

1. **Eisenhower Project –** SCE explains that two neighboring substations, Desert Outpost 33/12 kV substation, located in Cathedral City serving mostly residential customers and Eisenhower 115/12 kV substation, located in Palm Springs serving a mixture of residential and commercial customers are expected to exceed capacity limits. The scope of the project is to increase the substation capacity and add one new distribution circuit out of the Eisenhower 115/12 kV substation. The increased substation capacity at the Eisenhower 115/12 kV substation will enable the Eisenhower 115/12 kV substation to serve the growing customer load and allow the transfer of existing customers from the Desert Outpost 33/12 kV substation to the Eisenhower 115/12 kV substation without exceeding substation capacity limits. The new distribution circuit will provide the necessary distribution circuit capacity to enable the reconfiguration of distribution circuitry and reduce the amount of load currently served by Desert Outpost 33/12 kV substation. The distribution need begins in 2020.

2. **Newbury Project –** SCE explains that the Newbury 66/16 kV substation, located in the City of Thousand Oaks, has three distribution circuits serving customers southwest of Newbury 66/16 kV substation that are forecasted to exceed capacity limits, the Intrepid 16 kV, Hooligan 16 kV, and Belpac 16 kV. The project requires one new distribution circuit out of the Newbury 66/16 kV substation enabling the transfer of existing customers currently served by the three distribution circuits forecasted to exceed capacity limits starting in 2020.[7]

Project Screens

In determining which projects to include in the pilot, SCE applied two screens on its most recent 2017 distribution planning process.

[7] SCE AL 3620-E, pp. 8-9.

- **Technical screen** determined which project candidates meet the distribution need. SCE reviewed the projects in its 2017 Distribution Capital Plan for thermal capacity upgrade projects that SCE believes provide the best opportunity for a successful pilot.

- **Timing screen** determined whether a DER solution could be deployed before the forecasted "need" date. Using this screen, SCE determined that distribution need dates of 2020 and 2021 provide the best opportunity for a successful pilot.[8]

Project Prioritization Metrics

SCE considered five prioritization metrics to determine which project(s) ranked the highest. These include:

- **DER attribute requirements -** SCE determined the required average amount of load reduction from the need date to 2026. SCE gave projects with less load reduction requirements a higher score because it provides higher opportunities for DER(s) to meet the need.

- **Project timing certainty -** SCE determined that projects closer to the current date with less volatility received higher scores.

- **Financial assessment** – SCE determined that high cost projects received a higher score because they provide a high deferral benefit.

- **Market assessment** – SCE determined that projects that serve a large number of customers that consume a high amount of energy received higher scores because these projects provide more opportunity for load reduction.

[8] *Id,* p. 7.

- **Distribution topology –** SCE determined that projects that solve substation needs received a higher score than projects that solve circuit needs.[9]

Incrementality Methodology

SCE determined that a hybrid approach of Methods Four and Five from the CSFWG Final Report[10] will reasonably determine whether offers actually provide incremental services beyond what would already be realized from sourcing authorized from other proceedings. Using the hybrid methodology, Method Four divides the offers into three tranches:

Tranche 1 - Wholly Incremental – IDER offers which provide technologies and services not already being sourced or reasonably expected to be sourced through another utility procurement, program, or tariff, and that meet specific identified distribution needs are categorized into Tranche One.

Tranche 2 – Partially Incremental – IDER offers in which some portion of the technology or service is already incentivized through another authorized utility procurement, program, or tariff, and that meet specific identified distribution needs are categorized into Tranche Two. SCE will only consider that portion of the offer that provides enhancement to the existing project as incremental.

Tranche 3 – Not Incremental – IDER offers which provide technologies or services already sourced under another authorized utility procurement, program or tariff that meet the identified distribution need and that provide no clearly discernable incremental value beyond current offerings.

Method Five will allow SCE to consider not just the resource but also the attributes of a DER that has not been sourced through other mechanisms. SCE explains that this hybrid approach is consistent with the principles adopted in D.

[9] *Id* p.8.

[10] CSWFG Final Report, August 1, 2016, pp. 26 – 29.

16-12-036, including ensuring that customers do not pay twice for the same service.[11]

Contingency Planning

SCE explained that should one or more DER developers fail to install their projects according to the terms of the contracts, SCE will evaluate potential solutions based on the timing of when the situation may occur. If time permits, SCE may consider entering into bilateral contract(s) with other offers received during the solicitation. SCE states that in this case, the Commission should approve any bilateral contracts executed via a Tier 2 advice letter with the same timeline under the pilot solicitation.[12]

If however, there are no cost effective replacement DER contracts available, SCE states that it will install a capital investment on traditional distribution infrastructure to meet the distribution need.[13]

2. SDG&E Advice Letter (AL) 3089-E

On June 21, 2017, SDG&E filed AL 3089-E requesting approval to procure a DER solution for the pilot. In this filing, SDG&E selected one project for the Incentive Pilot.

- **Circuit 303 and 783 in Carlsbad** – SDG&E states that it will solicit projects that would provide 10 MW for peak load growth, 7.5 MW of circuit tie capacity and 99.976% availability.[14] SDG&E states that it will consider integrated hybrid resources types to meet the total required distribution capacity for each circuit project replacement or deferral with deliveries beginning as early as September 1, 2019 but must be on-line by January 1, 2020.[15] SDG&E will consider integrated hybrid resources to meet the total

[11] SCE AL 3620-E, p.10.
[12] *Id*.. p.13.
[13] *Id*., p. 14.
[14] SDG&E AL 3089-E, Appendix B., p.37.
[15] *Id*., p.5

required distribution capacity for each circuit to be considered one project with one counterparty for each circuit. SDG&E further explains that if more than one resource is necessary in order to meet the minimum capacity amount, these resources must be integrated.[16]

Project Screens

SDG&E evaluated the capacity of the distribution system through its distribution planning process (DPP). SDG&E's DPP is comprised of four steps:

- **Validate Peak Data –** SDG&E evaluates the annual demand data collected for customers, circuits, and substations to determine if peak demands during the year resulted from customer usage or a temporary system configuration. Peaks caused by customer usage are factored into the load forecast.

- **Produce Forecast –** SDG&E produces a forecast using the peak demand as a starting point which is then develop through LoadSEER to an hourly demand curve for each circuit and substation.

- **Model and Analyze Power Flow –** SDG&E performs a power flow analysis for circuits that are forecasted to exceed their capacity. This analysis estimates the loading on each circuit and helps identify which facilities may be impacted by forecasted conditions and operating scenarios.

- **Project Development/Alternatives Analysis –** After the deficiencies are identified through the power flow analysis, SDG&E develops and simulates corrective measures which are evaluated based on cost and effectiveness. SDG&E may implement these measures to mitigate the deficiencies identified.[17]

[16] *Id.*, p.4
[17] SDG&E AL 3089-E, June 21, 2017, p.1.

To determine whether DERs could correct the deficiencies identified, SDG&E applied two screens:

- **Projects Services Screen** –SDG&E determined whether the project met one of the four key distribution services identified in D.16-12-036.[18]

- **Timing Screen** –SDG&E determined whether DERs can successfully come online in time to meet the need.

Project Selection

After these initial screens were applied, SDG&E prioritized the projects based on:

- **DER Options** – SDG&E determined a DER need or opportunity through the number of customers and/or locations.

- **Market** – SDG&E ranked those projects with higher cost/MW for the traditional infrastructure investment higher than those that didn't.

- **Certainty** – SDG&E determined whether the project need is speculative or more certain.[19]

Incrementality Methodology

SDG&E determined that Method Four discussed in the DPAG remains the most applicable for the pilot and will implement the three tranches similar to SCE's Method Four Incrementality Methodology.[20]

Contingency Planning

[18] D.16-12-036, p. 8.
[19] *Id*., p.2.
[20] *Id*.

SDG&E will require bidders to include a contingency plan in their bids which SDG&E will consider to determine the effectiveness of the plan in the event a contingency is necessary. If SDG&E determines that a contingency plan is not sufficiently robust, it will require a successful bidder to contract for load drop sufficient to offset the capacity deficiency, or provide a DER alternative. SDG&E states that it will not award a bid that may endanger the safety and reliability of the distribution system.[21]

NOTICE

Notices of PG&E AL 5096-E, SCE AL 3620-E/3620-E-A/3620-E-B, and SDG&E AL 3089-E- were published in the Commission's Daily Calendar. PG&E, SCE, and SDG&E state that a copy of their ALs were mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS AND RESPONSES TO PROTESTS

The Office of Ratepayer Advocates (ORA), California Energy Storage Alliance (CESA), OhmConnect Inc. (OhmConnect), Tesla Inc. (Tesla), Sierra Club, and the California Efficiency + Demand Management Council (CEDMC) filed protests to the Utilities' ALs on July 14, 2017 and September 23, 2017. The Utilities responded to the protests on July 20, 2017 and September 27, 2017.

In order to not delay the IDER solicitation process further, we include here discussion of PG&E's responses to protests filed on issues common to all utilities. We intend for all utilities' requests to be subject to the same general process, and PG&E's comments help us in devising that process. Other issues specific to PG&E's AL 5096-E will be addressed separately. The following summarizes protests and responses filed, organized first by common issues followed by utility specific issues.

A. Common Issues

Contingency Planning

[21] SDG&E AL-3089-E, June 21, 2017, Attachment A, p.3.

- ORA recommends that the Commission require the Utilities to consult with the DPAG whenever a contingency action or decision is required by providing updates regarding distribution needs, including any changes in distribution needs that may have occurred following the DER project contract execution.[22]

  PG&E Response: PG&E explains that D.16-12-036 does not provide for reconvening the DPAG to discuss contingency planning or mitigations during the course of the solicitation. PG&E is able to discuss contingency causes and potential mitigations with the IE, PRG, and Energy Division staff as appropriate. If a contingency were to occur under the terms of the approved contract, then PG&E will enforce contingency mitigations in accordance with terms of the contracts. If PG&E determines to replace the failed DER, it will seek approval from the Commission for procurement and cost recovery.[23]

  SCE Response: SCE does not support this recommendation and explained that it is ultimately responsible for the safe and reliable operation of its distribution system. SCE recommends that the contingency plan implementation, including evaluating whether any bilateral offers are available, is more appropriately discussed directly with the Energy Division Staff.[24]

  SDG&E Response: SDG&E states early stage failures of the RFO process (such as lack of conforming offers, lack of viable offers and the inability to progress to the contracting stage due to a dearth of viable offers) are more appropriately discussed with the PRG instead of the DPAG. If and when a contract is executed and is being managed, discussions regarding a particular developer's ability to meet (or not

[22] ORA Protest to PG&E's AL 5096 -E, pp.2-3, SCE's AL 3620-E/3620-E-A/3620-E-B, pp.2-3, SDG&E's AL 3089-E, pp. 2-3.
[23] PG&E Response to ORA's Protest, pp. 1-2.
[24] SCE Response to ORA's Protest, pp. 4-6.

meet) contract milestones is more appropriately discussed with the PRG rather than the DPAG.[25]

Incrementality

- ORA recommends the Commission direct the Utilities to require that DERs that bid into the IDER incentive program must provide either: i) a new configuration, ii) an additional service, or iii) increased output or incremental energy savings beyond those provided within other programs or required through other program participation requirements.[26]
- ORA recommends that the incremental values are described in the comments section of their bids to provide transparency during the bid review process.[27]

- ORA recommends that the Utilities provide a detailed explanation for the values selected in the subsequent Tier 2 Advice Letter, including assumptions and studies that are the basis for the proposed values. (e.g., energy efficiency would be discounted to 85 percent of its bid capacity as a proxy to account for the potential of free-ridership) since the precise values for the discount varies by IOU depending on their location. The Tier 2 AL should also include the final value an IOU ascribes to a resource in a "partially incremental" bid to ensure transparency and consistency.[28]

[25] SDG&E Response to ORA's Protest, p.4.
[26] ORA Protest to PG&E's AL 5096-E, pp.3-4, SCE's AL 3620-E/3620-E-A/3620-E-B, pp.3-4, SDG&E's AL 3089 E, pp.2-3.
[27] *Id*.
[28] *Id*.

- OhmConnect recommends that application of "incrementality" requirements should not inadvertently preclude participation by certain DER technologies.[29]

- OhmConnect recommends the Utilities calculate incrementality based on the services offered by the resources. Resources should not be excluded from participation simply because it is determined that these resources might have been otherwise deployed without considering whether the resource was deployed for the specific service it would provide through these pilot solicitations.[30]

- CESA recommends that the Utilities generally consider Self-Generation Incentive Program (SGIP) projects 'un-sourced' projects for the purposes of this solicitation since SGIP as a market transformation program intended to deploy energy storage and other clean distributed generation technologies are capable of providing grid services.[31]

- CESA recommends that the Utilities consider energy storage systems paired with Net Energy Metering (NEM) generators as partially incremental. Specifically, the energy storage component of the combined system should be considered incremental to the degree that energy storage discharge is "firmed" and the energy storage system provides reserve capacity to deliver energy during the identified grid reliability need.[32]

- Tesla requests that the Commission direct the Utilities to modify their ALs and associated solicitation materials to remove any categorical prohibitions that would preclude resources participating

[29] OhmConnect Protest to PG&E's AL 5096-E, p.3, SCE's AL 3620-E/3620-E-A/3620-E-B, pp.2-3, SDG&E's Al 3089-E, p. 3.
[30] *Id.*
[31] CESA Protest to PG&E's AL 5096-E, pp. 3-4, SCE 's AL 3620-E/3620-E-A/3620-E-B, pp. 2-5, SDG&E's AL 3089-E pp.2-4.
[32] *Id.*

in NEM, SGIP, or other utility programs from being able to be bid into these solicitations.[33]

- CEDMC recommends that the Commission require SDG&E to include detailed load forecast information at the circuit level in its RFO or an alternative approach such as one presented by CEDMC at the DPAG meetings could be used.[34]

  PG&E Response to ORA: PG&E agrees with ORA's recommendation that vendors be required to distinguish their bid forms into three categories. In addition, PG&E will require bidders to provide the rationale behind their categorization. PG&E does not object to including information on a bid(s) it has deemed as "partially incremental" in its Tier 2 AL.[35]

  SCE Response to ORA: SCE requests that bidders be required to provide some reasonable rationale for the incrementality category they select for a bid, and describe a feasible methodology to measure the additional service, the increased output or incremental savings of their offer if the Commission adopts ORA's recommendation.[36]

  SCE Response to Tesla: SCE agrees with Tesla that NEM and SGIP or other programs should not be categorically excluded or prohibited from participating in the solicitation process and will update its RFO materials prior to launch.[37]

  SCE Response to OhmConnect: SCE plans to offer more clear guidance in its RFO instructions describing how resources might be categorized

[33] Tesla Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, pp.3-4, SDG&E's AL 3089-E, p.3.
[34] CEDMC Protest to SDG&E's AL 3089-E pp.4-5.
[35] PG&E Response to ORA's Protest, p.2.
[36] SCE Response to ORA's Protest, pp. 2-4.
[37] SCE Response to Tesla's Protest, pp. 7-8.

into each tranche and believes that it must retain flexibility to make such determinations on a case by case basis.[38]

SDG&E Response to ORA, Tesla, OhmConnect, and CESA: SDG&E states that its proposed methodology to determine incrementality complies with the seven principals contained in Decision 16-12-036, which includes ensuring the reliability of a DER provided service, i.e., not counting on a service to be there when the service might be deployed at another time.[39]

Planning Assumptions

- Tesla requests that the Utilities provide information that details what the utility is assuming will happen under their assumed business-as-usual scenario, in terms of the type and number of DER deployments they anticipate in a given locality where a distribution need has been identified, the assumed operations of those DERs, and the associated impacts of those operations on the identified distribution need.[40]

  PG&E Response: PG&E is not opposed to providing the underlying assumptions regarding the amount of DERs that are assumed to be deployed in the project area. PG&E has already established the two methodologies by which a vendor's bid will be evaluated with respect to double counting or double payment for the resource. The assumptions underlying the projections of business as usual DER deployments are fully reflected in the assumptions underlying the two "incrementality" methods that were discussed in the DPAG meetings and described in its AL.[41]

[38] SCE Response to OhmConnec'st Protest, p.3.
[39] SDG&E Response to ORA's Protest, p.4.
[40] Tesla Protest to PG&E's AL 5096-E. p.4, SCE's AL 3620-E/3620-E-A/3620-E-B, p.8, SDG&E's AL 3089-E, p.4.
[41] PG&E Response to Tesla's Protest p.4.

SCE Response: SCE urges the Commission reject this request. SCE argues that Tesla's request is inappropriate as it requests information beyond what is needed to assess incrementality under SCE's proposed method.[42]

Cost Effectiveness Cap

- CEDMC recommends the Utilities provide the Commission with any updates to the cost effectiveness cap prior to receipt of bids.[43]

  PG&E Response: PG&E states that it will review and propose updates to its cost effectiveness cap with the Independent Evaluator and the Procurement Review Group prior to bid evaluation. PG&E will also include any updates to its cost effectiveness cap in its Tier 2 AL filing requesting approval of the project.[44]

Customer Information

- Tesla requests that Utilities provide basic summary details regarding the type of customers in a locality and basic energy information which can assist developers, particularly those offering behind-the-meter solutions, orient their approach to a particular solicitation. This information would ideally include the number of customers by customer segment or energy end use (e.g., school, general office, hotel, residential, etc.), summary statistics on peak demand by customer segment, and the number of customers taking service under different tariffs. Tesla also requests that PG&E provide a relatively straightforward means for developers to determine if a

[42] SCE Response to Tesla's Protest, p.2.
[43] CEDMC Protest to PG&E's AL 5096-E, p.2, SDG&E's AL 3089-E, p.3.
[44] PG&E Response to CEDMC's Protest, p.6.

given customer is, in fact, interconnected to the circuit or substation that is the focus of the pilot project.[45]

- OhmConnect requests the Utilities provide additional customer composition data in the project area.[46]

- OhmConnect requests the Commission direct the Utilities to provide basic summary details and basic energy usage.[47]

  PG&E Response to Tesla and OhmConnect: PG&E states it will work with vendors to provide additional customer composition information in the project area, consistent with customer privacy and confidentiality requirements.[48]

  SCE Response to Tesla: SCE states that an order to disclose customer information is not necessary because it plans to provide bidders in the IDER RFO information that is reasonably necessary to inform their bids.[49]

Project Development Security & Delivery Term Security

- Tesla requests that Utilities provide additional justification on the specific amounts they propose for the project development security and delivery term security.[50]

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[45] Tesla Protest to PG&E's AL 5096-E, p.4, SCE AL 3620-E/3620-E-A/3620-E-B, p.8, SDG&E AL 3089-E, pp. 6-7.
[46] OhmConnect Protest to PG&E's AL 5096-E, SCE AL 3620-E/3620-E-A/3620-E-B, SDG&E AL 3089-E, p. 4.
[47] *Id., pp.3-4.*
[48] PG&E Response to Tesla and OhmConnect's Protest, p.5.
[49] SCE Response to Tesla's Protest, pp. 8-9.
[50] Tesla Protest to PG&E's AL 5096-E, p.4SCE's AL 3620-E/3620-E-A/3620-E-B, p.6, SDG&E's AL 3089-E, p.4.

PG&E Response: PG&E states that its proposed performance amounts are consistent with the performance amounts in prior and current solicitations authorized by the Commission. PG&E explains that the Project Development Security is a routine commercial requirement which is held during development phase to incent the developer to finish the project even when challenges arise. The Delivery Term Security amount helps mitigate the costs of replacing the defaulted DER contract. The solution may involve costs associated with a temporary solution based upon immediate need at the time of default. It is difficult to determine the replacement costs prior to default so that it is possible that the amounts required may not be sufficient to cover the costs.[51]

Exporting Constraints

- Tesla requests the Commission take steps to address the "export constraint" that currently poses a significant challenge to full and cost-effective utilization of customer-sited energy storage systems.[52]

- CESA requests the Utilities allow energy storage systems that export energy into the grid to participate in the pilot.[53]

SCE Response to Tesla and CESA: SCE explains that energy storage devices are subject to the terms of their interconnection agreements and all applicable laws and regulations. SCE states that its proposed restrictions are meant to reflect the jurisdictional requirements that govern the ability of certain resources to offer products and services in this pilot.[54]

[51] PG&E Response to Tesla's Protest, p.4.
[52] Tesla Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, p.7, SDG&E's AL 3089-E, p.4.
[53] CESA Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, p.5, SDG&E;s AL 3089-E, p. 5.
[54] SCE Response to Tesla's Protest, p.7.

SDG&E Response to Tesla and CESA: SDG&E clarifies that exports from behind-the-meter resources are not prohibited. All generators, in accordance with their interconnection agreements and all applicable laws and regulations, are allowed to export power to the grid. SDG&E will not be providing compensation for any excess power exported to the grid.[55]

Project Timeline

- CESA requests that the Utilities consider additional projects by applying a relaxed timing screen for the pilot.[56]

  PG&E Response: PG&E states that the project timing and milestones of its proposed projects were discussed in DPAG meetings and with the IPE. PG&E agrees with the IPE that additional flexibility in the timing and milestones for DER developers may be required in order for the pilot to be successful. To accommodate differences in technology deployment, PG&E proposes to allow vendors to provide service as early June 2020 or as late as June 2022.[57]

Developers Responsibility

- Tesla requests that the Utilities modify their ALs to ensure that developers are not held accountable or unduly harmed by interconnection delays for which the utility is responsible.[58]

  SCE and SDG&E Response: none

Metering and Proposed Measurement and Verification Requirements

[55] SDG&E Response to Tesla and CESA's Protest, p.4.
[56] CESA Protest to PG&E's AL 5096-E, p.5.
[57] PG&E Response to CESA's Protest, p.7.
[58] Tesla Protest to SCE's AL 3620-E/3620-E-A/3620-E-B p.6, SDG&E's AL 3089-E, p.4.

- Tesla recommends that PG&E implement periodic performance tests, including interim tests to determine progress in achieving full contractual commitments.[59]

- Tesla requests that SDG&E allow for direct metering for performance measurement and verification requirements in lieu of baseline methodologies.[60]

  PG&E Response: PG&E states that vendors with behind-the-meter resources will be required to submit a measurement and verification plan as part of their bid. While PG&E recommends revenue-quality metering to support measurement, verification, and settlement, PG&E also provides flexibility to the seller to propose an alternative measurement and verification methodology in their bid. PG&E states that it will work with developers to mutually evaluate any alternative metering to ensure that it provides a commercially acceptable metering, measurement and settlement method for the benefit of PG&E's customers.[61]

  SDG&E Response: none

B. SCE Specific Issues

Dispatch Protocol into a Grid and Distributed Energy Resource Management System

- Tesla requests that SCE work with developers to identify cost effective solutions, including leveraging existing system capabilities in lieu of deploying additional and potentially redundant infrastructure.[62]

[59] Tesla Protest to PG&E's AL 5096-E, pp.2-3.
[60] Tesla Protest to SDG&E's AL 3089-E, p. 4.
[61] PG&E Response to Tesla's Protest, p.3.
[62] Tesla Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, p.5.

Response: none

Double Cost Recovery

- ORA recommends that SCE be prohibited from requesting and recovering the same costs in multiple proceedings to execute traditional distribution upgrades in the event SCE's IDER Pilot requires traditional wire solutions.[63]

  Response: SCE states that the Commission has already determined that it will not extract the cost of any displaced investment from a Utility's authorized revenue requirements prior to the Utility's next GRC pursuant to D.16-12-036.[64]

C. SDG&E Specific Issues

Availability Requirement

- ORA recommends that SDG&E reevaluate whether it should require bidders to provide capacity with immediate availability at any time of the year, given that other utilities allow day-ahead notification, and given that current distribution planning is able to account for and factor in outage rates and lead times for generator and facility performance.[65]

- CEDMC suggests that SDG&E drop the additional requirements for resources to meet a year-round availability or as an alternative SDG&E should select an alternative project that is better suited to all DER resources.[66]

[63] ORA Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, p. 2.
[64] SCE Response to ORA's Protest, pp. 1-2.
[65] ORA Protest to SDG&E's AL 3089-E, p.4.
[66] CEDMC Protest to SDG&E's AL 3089-E, pp. 3-4.

Response: SDG&E states that its availability requirement is consistent with their reliability record. SDG&E believes that the availability requirements give DER providers the opportunity to bring innovative solutions to the solicitation and to meet or exceed the expectations.[67]

Communication and Monitoring Requirements

- Tesla requests that SDG&E work with stakeholders to further define communication system and monitoring requirements.[68]

Response: none

Site Control Requirements

- Tesla requests that aggregations of behind-the-meter resources, including behind-the-meter energy storage, should not be subject to site control requirements.[69]

Response: none

Eligibility of Fossil Fueled Generators to Participate

- Sierra Club requests the Commission modify SDG&E's AL to exclude non-renewable generation resources to conform with Public Utilities Code Section 769 and to ensure that unresolved legal issues do not undermine the success of the program.[70]

[67] SDG&E Response to ORA's Protest, p.4.
[68] Tesla Protest to SDG&E's AL 3089-E, p.4.
[69] *Id.*
[70] Sierra Club Protest to SDG&E's AL 3089-E, p.2.

Response: SDG&E explains that D.17-06-031[71] confirmed that fossil fueled generators that meet certain criteria are eligible to participate in this Incentive Pilot.[72]

DISCUSSION

The Commission reviewed the Utilities' ALs, parties' protests to the ALs, the Utilities' response to the protests filed, and Comments filed by parties to the Draft Resolution. PG&E filed AL 5096-E on June 16, 2017. On November 20, 2017, PG&E requested an extension to file its supplemental compliance filing to AL 5096-E to May 1, 2018 due to the severe damage caused by the recent fires in the Santa Rosa area.

In order to not delay the IDER solicitation process further, we address PG&E's responses to protests filed on those issues common to all utilities. We will address issues specific to PG&E's AL 5096-E separately but the common issues will apply to all three utilities, including PG&E so that all three utilities are governed by the same rules.

The disputed issues are addressed below organized by common issues first followed by utility specific issues.

A. Common Issues

Incrementality

D.16-12-036 recognizes the complexity of defining what services should be considered incremental to existing efforts. It allowed each utility to pursue a different incremental method which would help the Commission determine the method that would provide the best outcome for ratepayers and customers. SDG&E determined that Method Four from the CSFWG final report is its

[71] D. 17-06-031 Order Denying Rehearing of D.16-12-036.
[72] SDG&E Response to Sierra Club Protest, p.4.

preferred incremental methodology while SCE opted for a hybrid approach of Methods Four and Five.[73]

SCE explained that the reason for the hybrid approach is that Method Four recommends a tranche analysis based only on well-specified DERs while Method Five focuses on the attributes of a DER rather than the resources themselves. SCE believes that it is simpler and more transparent to assess incrementality based on resource types; however, it is equally important to provide value to the additional attributes that these resources have.

SDG&E clarified that while it chose Method Four as its preferred incremental methodology, its interpretation of incrementality is similar to SCE's. SDG&E's intent is to focus on whether the distribution service that the proposed DER provides is wholly or partially incremental.

Tesla, OhmConnect, and CESA disagree on prohibitions that preclude resources from participating in the pilot simply because it has been determined that these resources have already been deployed. OhmConnect states that Utilities' broad incrementality definition may preclude any Demand Response (DR) from participating in the solicitation because the existing Demand Response Auction Mechanism procures DR for Resource Adequacy. OhmConnect recommends that Utilities calculate incrementality based on the services offered by the resources.[74] Tesla argues that NEM and SGIP resources should be able to participate because while both the energy storage and solar PV may be participating in SGIP and NEM respectively, the opportunity to dictate the dispatch of these resources to address a time-specific need represents a distinct and incremental service beyond what these resources would otherwise provide.[75] Therefore, Tesla encourages the Commission to clarify its expectation from Utilities that in evaluating bids, Utilities are to consider distinct services offered

[73] CSFWG Final Report, August 1, 2016, pp. 18-30.
[74] OhmConnect Protest to PG&E's AL 5096-E, SCE's AL 3620-E/3620-E-A/3620-E-B, SDG&E AL 3089-E., pp.2-3.
[75] Tesla Protest to PG&E's AL 5096-E, p. 4, SCE's AL 3620-E/3620-E-A/3620-E-B, pp.3-4, SDG&E AL 3089-E, pp.2-3.

by the resources from what would otherwise occur as incremental. Similarly, CESA states that the Utilities' definition is unclear on whether resources participating in another program or tariff would be determined as non-conforming due to full sourcing from other channels.[76]

We agree with Tesla, OhmConnect, and CESA. D.16-12-036 adopted principles the Utilities are required to use when determining their incremental methodology. These include:

- Ensuring that ratepayers are not paying twice for the same service;
- Ensuring the reliability of a service, i.e., ensure it is not counting on a service to be available when in fact the service might be time- or frequency-constrained and committed at another time, rendering it effectively unavailable for the distribution services sought in these pilots; and
- Recognizing that a DER is eligible to provide multiple incremental services and be compensated for each service.

Services offered by existing DERs that are above and beyond what is expected under other programs should be considered incremental. An example would be if a resource is compensated through a different program but in the IDER bid is expected to be operated in a different manner than business-as-usual, then this resource should be considered incremental.

Incrementality is particularly vexing for energy efficiency, given that by statute all cost-effective energy efficiency resources are identified and procured within the utilities' Energy Efficiency portfolios. The cleanest approach to ensuring incrementality of Energy Efficiency resources is for bidders to offer products or services that are not currently in the portfolios because they are not cost-effective based on the system average avoided costs incorporated into the Energy Efficiency cost-effectiveness tool, but would be feasible given the additional avoided cost headroom associated with the avoided distribution

[76] CESA Protest to PG&E's AL 5096-E, pp. 2-5, SCE's AL 3620-E/3620-E-A/3620-E-B, pp.2-4.

upgrade costs that are the focus of this pilot program. This is akin to tapping into energy efficiency potential that has not been found to be economically viable in the potential and goals studies and could therefore be additional to what utilities are expected to capture via their portfolios.

However, there are new data-rich approaches to customer identification and engagement that remain untested and would likely deliver incremental savings, even for existing energy efficiency portfolio resources. In this case, in theory bidders could capture additional market potential than what is expected from utility current engagement levels based on the results of potential and goals studies. Generally, the utilities appear to be reasoning that there could not be alternative means of customer engagement than the ones currently used.

We disagree. There is little doubt that this potential exists – that, for instance, the Energy Efficiency portfolios are not proactively identifying every customer with extremely old and inefficient equipment that has presumably been repaired rather than replaced far beyond its intended useful life. We believe it makes little sense to exclude from this pilot innovative approaches for identifying such customers and replacing this equipment, simply because the existing portfolio, by default, takes credit for replacing this equipment with a high efficiency product through, for example, an existing upstream rebate program when (and if) it is replaced without any customer-specific program prompt.

Still, there are a variety of ways to address the double-count and double-payment issues that this scenario creates. For instance, the "accelerated adoption" example above will generate deeper savings associated with an existing condition baseline versus savings based on code-baseline that upstream programs receive. So if the pilot offering includes an upstream rebate, these different savings streams can be divided appropriately between the two programs, and on the cost side the upstream rebate and associated portfolio administrative costs can be added to the bid price for this bid to ensure an apples-to-apples comparison of this resource to other bids based on total cost to ratepayers.

Another approach to incrementality would be to focus on adoption breadth rather than inducing the early replacement of old and inefficient

equipment. For instance, it would be reasonable to count as incremental savings the savings garnered from a new strategy for marketing or delivering an existing downstream program to customers on the target circuits. However, this is only a possibility where the pilot activities include the collection of evidence demonstrating customers were influenced by the pilot efforts, and provides a method for determining a baseline adoption rate for the measure(s) offered by the downstream program. The baseline rate could then be used to allocate costs and savings credit between the pilot offering and the mainstream portfolio for these programs. The details of these accounting structures, as well as the claims identification procedures, can be left to bidders and utilities to work out, and would need to involve utility efficiency staff and Energy Division staff for the relevant downstream program(s).

Consequently, while D.16-12-036 allows each utility to pursue a different incrementality methodology for the Incentive Pilot, we strongly encourage the utilities to be creative and open-minded in how to identify and acknowledge energy efficiency incrementality within these pilots, and not default to the highly suspect assumption that their portfolios are fully procuring every cost-effective efficiency resource.

The pilot solicitation terms and conditions should be designed to allow energy efficiency interventions that propose to provide value through:

- Accelerating the uptake of measures for which only upstream incentives are currently offered;
- Bringing a greater volume of participation to the existing downstream programs through new marketing and/or delivery strategies;
- Implementing brand new efficiency strategies.

The key to successful bids should be convincing program theories, and delivery strategies that are supported by a plan to collect meaningful in-program supporting documentation of program influence, and/or reliable verification methods to ensure capture of claimed savings. Bidders must be convincing in presenting a plan that will result in incremental savings relative to existing programs, and must include a robust methodology to verify claimable (incremental) savings and avoid any possible double-counting of savings. In

addition, the proposals should provide a cost assessment methodology that is equally as robust in its incrementality; it must ensure an apples-to-apples comparison with other resources by fully reflecting all embedded costs of the existing programs or infrastructure being leveraged in the proposal.

With this direction in its application of these methodologies, we clarify and adopt:

A. SCE's hybrid approach of Methods Four and Five from the CSFWG final report.
B. SDG&E's Method Four from the CSFWG final report to include the DER resource and the attributes associated with it.

Contingency Plan

ORA states that the timing in triggering a contingency plan is a function of the timing of the distribution need and the lead time required to implement a contingency plan.[77] To ensure that Utilities exercise judgment regarding when to trigger a contingency and what the contingency solution should be that would be in the best interest of the ratepayers, ORA recommends that the Commission require the Utilities consult with the DPAG whenever a contingency action or decision is required by providing updates regarding distribution needs, including any changes in distribution needs that may have occurred following the DER project contract execution.[78]

In their response, the Utilities explained that D.16-12-036 does not provide for reconvening of the DPAG after the solicitation process.[79] In addition, PG&E also clarified that if a contingency were to occur during the solicitation phase, it will consult with the Independent Evaluator, Procurement Review Group and

[77] ORA Protest to PG&E's AL 5096-E, pp.2-3, SCE's AL 3620-E/3620-E-A/3620-E-B, pp. 3-4, SDG&E AL 3089-E., pp.3-4.
[78] *Id.*
[79] PG&E Response to ORA Protest, pp. 1-2, SCE Response to ORA Protest pp. 5-6, SDG&E Response to ORA p.4.

CPUC Energy Division staff. PG&E would enforce the contingency mitigations in accordance with the terms of the contracts if a contingency were to occur during the deployment and operations phase. It will seek Commission approval for the procurement and cost recovery of an alternative DER if it determines that it is cost effective to replace a failed DER with an alternative DER. If PG&E however, determines that it will implement a wires solution to address contingency, PG&E will seek regulatory guidance for approval and cost recovery for the recovery of the wires solution.[80]

SCE explains if a contingency were to occur, it shall provide priority to alternative DER solutions if cost effective. However, consulting with the DPAG might unnecessarily delay project implementation and risk the safety and reliability of the distribution system.

The Commission agrees with the Utilities. D.16-12-036 does not provide for reconvening of the DPAG after the solicitation process. The Commission also agrees that PG&E's contingency process makes the most sense. D.16-12-036 requires the Utilities meet with the PRG within six months to allow a review of the proposed contracts. If a contingency were to occur during the solicitation process, the Commission expects the Utilities to consult with the Independent Evaluator and include reasons for the contingency in their report to the PRG. The utilities are ultimately responsible for ensuring safe and reliable service so that if the contingency were to occur during the deployment and operations phase then the utilities should enforce the contingency mitigations in accordance with the terms of their contracts. If however, the utilities decide that because of circumstances such as timing, etc., it becomes necessary to implement a traditional capital investment, the utilities should follow existing Commission approval and cost recovery processes.

Based on comments submitted by Sunrun Inc. (Sunrun) and CESA on Draft Resolution E-4889, SDG&E should revise its contingency plan to include provisions similar to SCE and PG&E's contingency plan. We agree with Sunrun and CESA that the utility is in a much better position to drive the market to find

[80] PG&E Response to ORA Protest, pp.1-2.

near-term, cost effective replacement to an under-performing DER. As discussed above, SCE and PG&E both propose to leverage alternative DERs that may be able to resolve the issue either through an existing bid the IOUs received or by leveraging other DERs to address the issue. If the alternative DERs are unable to address the issue, PG&E and SCE propose to install a traditional wires alternative. We find SDG&E's contingency plan, which would require a developer to find a "cure" in the event it under-performs, unreasonable, especially given that SDG&E is only seeking a single counterparty in its pilot. Therefore, we require SDG&E to revise its eligibility requirements on contingency planning in its pro forma documents to align with those of PG&E and SCE.

Planning Assumptions

Tesla requests the Commission require the Utilities to provide their business-as-usual DER deployment and operational assumptions including the type and number of DER deployments the Utilities anticipate in the project area. Tesla explains that these assumptions will provide potential bidders with a better understanding of whether or not a proposed solution or service will be deemed incremental.[81]

In its response, PG&E states that it is not opposed to providing the underlying planning assumptions regarding the amount DERs assumed to be deployed.[82]SCE on the other hand, urges the Commission reject Tesla's request stating that Tesla's request is inconsistent with their proposed incrementality methodology.[83]

The Commission understands that in order for bidders to provide meaningful bids, bidders need as much information from the utilities that would help them decide which resources and/or attributes will likely not be considered

[81] Tesla Protest to PG&E's AL 5096-E, pp. 6-7, SCE's AL 3620-E/3620-E-A/3620-E-B, p.8, SDG&E's AL 3089-E, p.5.
[82] PG&E Response to Tesla Protest, p.4.
[83] SCE Response to Tesla Protest, p.2.

incremental because they have been included in the utilities' planning assumptions.

D.16-12-036 states that the issue of transparency for determining distribution planning activities is best addressed in R.14-08-013 because a Commission Ruling specified that sub-track 3 in R.14-08-013 will consider process for integrating distribution resource plans into utility distribution planning and investment.[84] The Commission is currently addressing this issue in R.14-08-013.[85] However, D.16-12-036 also states that the IDER proceeding must address the issue of transparency as it relates to the DER solicitation documents and how the bids for those resources will be evaluated. Tesla indicates that this information will help inform their bids as they can determine which resources and/or attributes will likely not be considered incremental. Therefore, for the purpose of this pilot and to promote transparency, we encourage the utilities to provide distribution planning activity information such as resources the utilities are assuming will be deployed relevant to the utilities determination of residual need in the given area. Utilities should provide this information as part of their RFO documents.

Cost Effectiveness Cap

CEDMC recommends the Utilities provide the Commission any updates to the cost effectiveness cap prior to receipt of bids for Commission approval.[86]

In their response, PG&E explains that it will review and propose updates to its cost effectiveness cap with the Independent Evaluator and the PRG prior to bid evaluation.[87]

[84] D.16-12-036, pp. 32-33.
[85] R.14-08-013, Administrative Law Judge's Ruling Requesting Answers to Stakeholder Questions Set Forth in the Energy Division Staff Proposal on a Distribution Investment Deferral Framework, June 30, 2017.
[86] CEDMC Protest to PG&E's AL 5096-E, p.2, SDG&E's AL 3089-E, p.3.
[87] PG&E Response to CEDMC Protest, p.6.

The Commission partially agrees with CEDMC. The value of the cost effectiveness cap will be used to determine the most cost effective solution. CEDMC is correct in their statement that updating the initial cost effectiveness cap after the bids are received may raise the question of whether the bids received influenced the changes in the selected value. However, the Commission is also concerned that adding an additional layer to the process outlined in D.16-12-036 will create a risk of regulatory lag.

Therefore, to address the concerns brought up by CEDMC to avoid the potential for project(s) cost manipulation while avoiding the potential for regulatory lag, the Commission will require the utilities to provide two cost effectiveness cap updates via a letter to the Commission's Energy Division IDER staff prior to receiving indicative offers and prior to receiving the final bids. . This letter should also be served in redacted form to the service list. We reject SCE's request to issue a finding on the reasonableness of its cost effectiveness cap at this time. We will review and approve the reasonableness of the cost effectiveness cap via a letter from the Commission's Energy Division after receiving the updated version from the utilities.

Project Development Security & Delivery Term Security

Tesla requests that Utilities provide additional justification on the specific amounts they propose for the project development security and delivery term security. Tesla states that they understand the need for security requirements but need to better understand how the Utilities determined the specific amounts required.[88]

In its response, PG&E explained that the security requirements is a routine commercial requirement and is necessary in order for the developer to comply with contractual obligations. These security requirements are also used in the event the developer defaults on the contract and performance, requiring PG&E

[88] Tesla Protest to PG&E's AL 5096-E, p. 4, SCE's AL 3620-E/3620-E-A/3620-E-B, p.6, and SDG&E's AL 3089-E, p.4.

to either replace the DER solution in its entirety or provide a temporary solution to address the need.[89]

It is our understanding that Tesla does not oppose the Utilities requiring developers to post both the development and delivery term securities. We also understand that to ensure that projects that bid into the IDER pilot are viable the Utilities need to impose certain security requirements in their pro-forma agreements. We understand that these requirements will ensure that only serious bidders participate in the solicitation process. However, we also do not see an issue with the Utilities providing the rationale for the security amounts they are requesting from potential bidders, especially since bidders will need to post these amounts in order for their bids to be considered.

We reject Sunrun's recommendation in its comments on the Draft Resolution E-4889 that the Commission administratively set the level of the security request if it determines the rational and methodologies used by the utilities are insufficient to justify the amount requested. This resolution approves a pilot program that will evaluate potential DERs that could displace or defer the need for capital expenditures on the system. Each DER has unique attributes resulting in different risks. It is difficult to predict the risks for each DER without first examining the results of the pilot program. However, the Commission will consider addressing the security deposit issue during the evaluation of this Pilot in 2018.

While PG&E provided justification in their response to Tesla's request, it did not provide enough information that would offer sufficient transparency for the amounts requested. Neither SCE nor SDG&E responded to Tesla's request.

We therefore, require the Utilities to explain in their pro forma documents the rationale behind each security request. This information should include methodologies used to determine the amounts asked.

Exporting Constraints

[89] PG&E Response to Tesla Protest, p. 4.

Tesla requests that the Commission take steps to eliminate "export constraints" that Tesla claims pose a significant challenge to full and cost-effective utilization of customer-sited energy storage system.[90] CESA requests that the Utilities allow energy storage systems that export energy into the grid to participate in the pilot.[91]

In their response, SCE explains that energy storage systems exporting energy to the grid are subject to the terms of their interconnection agreements and that its proposed restrictions are meant to reflect jurisdictional requirements of these devices' interconnection agreements.[92] SDG&E clarifies that exports from behind-the-meter resources are not prohibited from participating; however, it should be in accordance with their interconnection agreements and all applicable rules. SDG&E also states that it will not compensate any excess power these resources export to the grid.[93]

We agree with Tesla and CESA. The Commission understands that there are current interconnection rules (i.e., Rule 21, WDAT) in place for resources that connect to the distribution system. However, the Commission is not aware of any specific prohibition against Rule 21 or WDAT resources from also providing distribution services. Section D.3 in Rule 21 establishes that interconnection under Rule 21 neither provides nor limits a producer's right to utilize the utility's distribution or transmission system for the "transmission, distribution, or wheeling of electric power.[94] We reject Sunrun's recommendation in its comments to the Draft Resolution E-4889 to delete Ordering Paragraph 18 which requires utilities to explain jurisdictional or other regulatory barriers for behind-the-meter solutions that export energy to the grid that would prevent the them

[90] Tesla Protest to PG&E's AL 5096-E, p.3 SCE's AL 3620-E/3620-E-A/3620-E-B, p.7, SDG&E's AL 3089-E, pp. 5-6.
[91] CESA Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, p.5, SDG&E's AL 3089-E, p.5.
[92] SCE Response to Tesla Protest, p.7.
[93] SDG&E Response to Tesla Protest, p.4.
[94] https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC RULES 21.pdf, https://www.sce.com/NR/sc3/tm2/pdf/Rule21_1.pdf, http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-RULES_ERULE21.pdf

from entering into a contract with. Sunrun explains that since the PRG is made up of Energy Division staff, ratepayer advocates, and utilities, it is very unlikely that someone present at the PRG would advocate for the fair treatment of behind-the-meter resources.

D.16-12-036 specifically created the PRG to allow for review of contracts following the solicitation process. The PRG which include Energy Division staff will review the Independent Evaluator's summary and ensure that the utilities followed the elements adopted in D.16-12-036 and Resolution E-4889.[95]

Therefore, the Utilities should not categorically exclude or prohibit behind-the-meter solutions that export energy to the grid from participating in the solicitation process. To the degree that these bids may be cost effective relative to other bids received, the Utilities should explain in the PRG meeting any jurisdictional or regulatory barriers that would prevent them from considering the contract. The Independent Evaluator should also include findings on the Utilities recommendations in its reports to the PRG.

Project Timeline

CESA requests that the Utilities consider additional projects by applying a relaxed timing screen for the pilot. CESA explains that DER solutions can address near term projects and cites to the Aliso Canyon Energy Storage RFO where energy storage demonstrated its ability to provide reliability need within 6-7 months of the RFO process.[96]

In their response, PG&E and SCE explained that the issues around project timing and milestones of their proposed projects were discussed in DPAG meetings which considered the solicitation process and the regulatory approval process while providing time for DER developers to acquire the necessary DER to fulfill the executed contracts. However, SCE also notes that while Aliso

[95] D.16-12-036, p.52.
[96] CESA Protest to PG&E's AL 5096-E, p. 5., SCE AL 3620-E/3620-E-A/3620-E-B p. 6.

Canyon Energy Storage RFO addressed an "emergency" need, existing DERs may have the potential to contribute to an identified distribution need.[97]

The IPE in his report submitted on July 3, 2017 agreed with the Utilities' recommendation that 2019 projects do not provide sufficient time for developers and should not be included in the pilot for the following reasons:

- Based on the IDER timeline, DER contract awards will occur during the 2nd – 3rd quarter of 2018 making it infeasible to include any projects needs for 2017 or 2018.
- It would take a DER developer 8-10 months to implement its proposals for projects with an in-service date of June 2019.
- No DPAG stakeholder supported projects with 2019 in-service dates.[98]

We agree with the Utilities and the IPE. For this Pilot, 2019 projects are unlikely to provide DER developers enough time to develop their proposal(s) and implement a project in time. However, the Commission will consider addressing the timing screen during the evaluation of this Pilot in 2018.

Developers Responsibility

Tesla requests that the utilities modify their ALs to ensure that developers are not held accountable or unduly harmed by interconnection or transmissions delays for which the utility is responsible.[99]

In its comments to the Draft Resolution E-4889, PG&E and SCE recommend the Commission delete Ordering Paragraph 14 which requires the utilities to clarify in their RFOs that developers are not accountable and should not be liable for delays cause by utility processes and dependencies. SCE states that the interconnection agreement between parties explains the rights and obligations of utilities and developers regarding interconnection and

[97] PG&E Response to Protest, p.7, SCE Response to Protest, p. 6.
[98] Nexant IPE IDER Incentive Pilot Report, July 3, 2017, p.23.
[99] Tesla Protest to SCE's AL 3620-E/3620-E-A/3620-E-B p.6, SDG&E's AL 3089-E, p.4.

transmission. PG&E states that this provision is consistent with other pro forma contracts in that absent force majeure, the developer is solely responsible for meeting its development milestones including interconnection to the grid, and faces an event of default if those milestones are not met.

We agree with the utilities and choose to remove Ordering Paragraph 14 on the grounds that provisions in interconnection agreements have already been approved addressing the rights and obligations of utilities and developers regarding interconnection and transmission obligations. Attempting to supplement or replace those provisions through power or other product purchase agreements opens the possibility for conflict between the two agreements.

Customer Information

Tesla requests that the utilities be directed to provide basic summary details regarding the type of customers in a locality and basic energy information. Tesla requests that this information would ideally include the number of customers by customer segment or energy end-use (e.g., school, general office, hotel, residential, etc.), summary statistics on peak demand by customer segment and the number of customers taking service under different tariffs. Tesla explains that these types of information will assist bidders direct their approach to a particular solicitation.[100]

In their response, PG&E and SCE state that it will work mutually with vendors and continue to provide the additional customer composition in the project area, consistent with customer privacy and confidentiality requirements.[101] However, SCE also states that the bidder will need to obtain certain information, such as the type of tariffs specific customer accounts are served on, directly from the customer.

[100] Tesla Protest to PG&E's AL 5096-E, p.7, SCE's AL 3620-E/3620-E-A/3620-E-B p. 8, SDG&E's AL 3089-E.p.5.
[101] PG&E Response to Protest, p. 5, SCE Response to Protest pp. 8-9.

We recognize the need for bidders to have necessary information that will help inform their bids to be able to provide meaningful offers to the solicitation. However, we also agree with the utilities that certain customer information is protected under the customer privacy and confidentiality requirements. Therefore, we require the utilities to provide as much customer information as possible while at the same time protecting customers' privacy pursuant to the customer privacy and confidentiality requirements. This information should be included in the Utilities' RFO documents.

Metering and Proposed Measurement and Verification Requirements

Tesla recommends that PG&E implement periodic performance tests, including interim tests to determine progress in achieving full contractual commitments.[102] Tesla explains that PG&E's proposed measurement and verification requirements may be unduly burdensome as it evaluates the performance of each individual site within the aggregation. Tesla also recommends that SDG&E allow for direct metering for performance measurement and verification requirements in lieu of baseline methodologies or work with the developers to identify mutually agreeable solutions.[103] Tesla states that this requirement is also consistent with CAISO's adoption of a metering option for behind-the-meter energy storage resources participating in Proxy Demand Resources.[104]

In its response, PG&E explains that vendors with behind-the-meter resources will be required to submit a measurement and verification plan as part of their bid. While PG&E recommends revenue-quality metering to support measurement, verification, and settlement, PG&E also provides flexibility to the seller to propose an alternative measurement and verification methodology in its bid. PG&E states that it will work with developers to mutually evaluate any alternative metering to ensure that it provides a commercially acceptable

[102] Tesla Protest to PG&E's AL 5096-E, pp.2-3.
[103] Tesla Protest to SDG&E's AL 3089-E, p. 4.
[104] *Id*.

metering, measurement and settlement method for the benefit of PG&E's customers.[105] SDG&E did not provide a response to Tesla's protest.

We find PG&E's response reasonable. To the degree that PG&E's measurement and verification process may not work for all developers, PG&E provides flexibility in its RFO materials that allows a developer to propose an alternative measurement and verification methodology. We therefore encourage all Utilities to provide flexibility in their RFO materials that gives developers the option to recommend an alternative solution which both the Utility and the developer can mutually agree on.

Supplemental Compliance Advice Letter

In its comments to the Draft Resolution E-4889, SCE requests that the Commission clarify the timeline to complete the IDER pilot. The Commission hereby clarifies that the four-month time period to complete the pilot solicitation process as stated in Ordering Paragraph 16 of D. 16-12-036 shall begin upon Energy Division's issuance of a disposition letter on the utilities Tier 1 compliance supplemental advice letter. The 6th-month time period to meet with the PRG to allow a review of the proposed contracts and file a Tier 2 advice letter requesting Commission approval of the contract(s) as stated in Ordering Paragraph 17 of D.16-12-036 shall begin upon Energy Division's issuance of a disposition letter on the utilities' Tier 1 compliance supplemental advice letters.

Calculation and Forecast of Expected Administrative Costs

SCE in its comments on the Draft Resolution E-4889 requests the Commission to issue findings on its calculation and forecast of expected administrative costs. In response to SCE's request, we find SCE and SDG&E's forecast of expected administrative costs for the pilot reasonable. These costs are pre-approved for recording and recovery and is subject to review by the Commission in SCE and SDG&E's next GRC. Only solicitation-related

[105] PG&E Response to Tesla Protest, p.3.

incremental administrative costs incurred after the launch of the pilot will be included in the cost effectiveness calculation.

B. PG&E Specific Issues

In comments to the Draft Resolution E-4889, PG&E requests to file its supplemental advice letter no later than May 1, 2018. PG&E explains that it will not be able to complete the detailed wildfire damage assessments and associate corrective action plans within the 60-day timeframe because of the following:

- The Rincon substation is physically located within the burn zone requiring PG&E to complete testing and assessment of possible internal damage to the substation equipment and determine the Rincon substation transformer bank upgrade.
- The Rincon substation serves customers who have been impacted by the fire storms and it will take PG&E several months to fully assess any changes to equipment loading which could impact the proposed Rincon substation bank upgrade.
- The Rincon substation is part of a larger portfolio of equipment that serves load in the Santa Rosa area. PG&E will need to determine how damage or reduced loading on other equipment that were impacted by the storms may impact the proposed Rincon substation bank upgrade.[106]

We approve PG&E's request to file its supplemental advice letter no later than May 1, 2018. In its supplemental filing, PG&E should include a detailed explanation of its decision to cancel the Rincon substation project; a full report on learnings and insights on the project; and a proposal to solicit, evaluate and implement a DER distribution deferral solution for another project, in accordance with D.16-12-036.

C. SCE Specific Issues

[106] PG&E Comments to Draft Resolution E-4889, pp. 1-3.

Dispatch Protocol into a Grid and Distributed Energy Resource Management System (GDERMS)

Tesla requests that SCE work with developers to identify cost effective solutions, including leveraging existing system capabilities in lieu of deploying additional and potentially redundant infrastructure.[107] Tesla explains that SCE's approach to dispatching resources appears to be open-ended. Tesla states that this open-ended approach imposes risks on developers, thus undermining the developer's ability and willingness to participate in the solicitation.[108]

Although SCE did not address Tesla's concern regarding SCE's GDERMS' dispatch protocol in their response, SCE explained to the Commission's Energy Division staff that information in their draft pro forma agreements provide a starting point for negotiations. SCE states that it will discuss provisions regarding GDERMS with any counterparty during contact negotiation and will work with developers to arrive at a mutually agreed solution.

Double Cost Recovery

On September 11, 2017, SCE filed a second supplemental to AL 3620-E changing the Farrell Project to account for recent load growth in the neighboring Eisenhower substation.

In this supplemental filing, SCE changed the project name from the Farrell Project to Eisenhower Project. SCE's analysis indicated that the original Farrell Project scoped in AL 3620-E was not the best long term solution to meet the distribution need. In response to SCE's supplemental filing, ORA requested that the Commission reopen the protest period. On September 14, 2017, the Commission reopened the protest period through September 21, 2017.

In its second protest, ORA clarifies that its recommendations, made in its original protest regarding cost recovery for the Farrell Project should continue to

[107] Tesla Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, p.5.
[108] *Id*.

apply to the modified Eisenhower Project. ORA contends that the Eisenhower Project is the same distribution upgrade identified in SCE's AL 3620-E and would be funded from funds repurposed from SCE's 2018 GRC application request for the Farrell Project.

In its original protest, ORA explained that SCE identified the capital cost of $[redacted] million for traditional upgrades to the Farrell 115/12kv Substation (#07739) in their 2018 GRC application which is the same distribution upgrade identified in SCE's AL 3620-E-A. [109] ORA asserts that SCE is actively requesting Commission authorization in its 2018 GRC to fund necessary traditional upgrades at the Farrell Substation at the same time identifying the Farrell Substation, now the Eisenhower substation, for a potential DER solution in AL 3620-E/3620-E-A/3620-E-B. ORA recommended the Commission implement accounting safeguards to ensure that funds authorized in SCE's GRC for the Farrell Project are held in a balancing account until SCE demonstrates that its proposed IDER Farrell deferral project is successful and SCE does not need to invoke its contingency plans.[110] If the IDER project is successful, ORA recommended that SCE be required to refund the collected funds in the balancing account to ratepayers.[111]

In its response, SCE argues that the cost of any deferred or avoided distribution investment should not be extracted from a utility's GRC prior to the utility's next GRC. SCE points to D.16-12-036 which states that any previously authorized distribution capital spending related to a deferred or avoided project would not be reviewed until the next GRC.[112] SCE adds that customers will realize the benefits of any deferred distribution investments through the rate base true-up because recorded plant-in-service will be lower than it would otherwise be absent the deferred project.[113]

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[109] *Id.*
[110] ORA Protest to SCE's AL 3620-E/3620-E-A/3620-E-B, pp. 4-6.
[111] *Id.*
[112] SCE Response to ORA Protest, pp. 7-8.
[113] *Id.*

SCE's argument is partially flawed. While D.16-12-036 states that the Commission will not remove the cost of any displaced distribution investment from a utility's authorized revenue requirement prior to the next GRC,[114] the Commission has not yet authorized SCE's revenue requirement.

We agree with ORA. The Eisenhower project is the same distribution upgrade identified in SCE's AL 3620-E for the Farrell project and would be funded from funds repurposed from SCE's 2018 GRC application request for the Farrell Project. However, we reject ORA's comments to the Draft Resolution E-4889 recommending we direct SCE to utilize GRC funds for the IDER pilot project. This issue was considered in D.16-12-036 and is beyond the scope of this resolution. However, we note that on November 13, 2017, ORA filed a Petition to Modify D.16-12-036.

C. SDG&E Specific Issues

Availability Requirement

ORA recommends that SDG&E reevaluate whether it should require bidders to provide capacity with immediate availability at any time of the year, given that other utilities allow day-ahead notification, and given that current distribution planning is able to account for and factor in outage rates and lead times for generator and facility performance.[116]

CEDMC suggests that SDG&E drop the additional requirements for resources to meet a year-round availability or as an alternative SDG&E should select an alternative project that is better suited to all DER resources.[117]

In its response, SDG&E states that its obligation to ensure safe, reliable, and cost effective operation of the electric grid includes managing risks and

[114] D.16-12-036, p.60.
[116] ORA Protest to SDG&E's AL 3089-E, p.4.
[117] CEDMC Protest to SDG&E's AL-3089-E pp. 3-4.

structuring contracts in order to provide appropriate performance guarantees. It believes that replacing a wires solution with a DER is a compromise and a degradation in historical service levels as a wires solution would provide continuous distribution capacity. Therefore, SDG&E structured its availability requirement to allow DER to provide some degree of equivalency to the wires solution.[118]

We disagree with SDG&E. First, on process, we note that SDG&E's year-round requirement was not brought up in any DPAG meetings which would have allowed participants the opportunity to discuss this requirement further. Second, the purpose of this pilot is to test the competitive solicitation incentive mechanism recommended by the working group where the utilities were required to identify one project where the deployment of DERs on the system would displace or defer the need for capital expenditures on traditional distribution infrastructure.[119]

This process required the Utilities to identify characteristics that would address load growth during peak times during the year. In response, SDG&E applied its planning tools and criteria to develop the load reductions required to defer a traditional investment with DERs. These load reduction criteria included peak times during a given year which SDG&E presented to the DPAG during meeting #5.[120] We believe that any additional characteristic such as the year-round availability requirement outside of the identified need requires further consideration.

We also reject SDG&E's justification in its comments to the Draft Resolution E-4889. SDG&E in its comments requests services that are beyond the scope of the stated need. In its solicitation documents, SDG&E is requesting services for distribution capacity. However, in its comments to the Draft Resolution E-4889, SDG&E provides an example where it seeks to use the same resources for resiliency (maintaining critical services during an emergency) and

[118] SDG&E Response to protests, p.4.
[119] D.16-12-036, p.2.
[120] SDG&E IDER DPAG Presentation #5 slides 11-12.

reliability back-tie (switching the circuit during an outage). If these are services that SDG&E need in addition to capacity, SDG&E should define these needs and offer to procure these additional services, as distinct services in accordance with D.16-12-036. SDG&E should not impose operational requirements on DERs providing capacity service that is outside of the stated need.

As such, we require SDG&E to amend its distribution capacity requirements to reflect the same requirements presented in DPAG meeting #5.

In its comments to the Draft Resolution E-4889, Sunrun and CESA also recommend that SDG&E revise its criteria and eliminate requirements for immediate dispatch ability and instead require DER providers to response to a day-ahead dispatch. Sunrun explains that a requirement for immediate availability will cause the need for substantial investment in communications technology and telemetry thereby increasing project costs. CESA explains that the day-ahead notification is critical to allowing DER providers to manage their customer-sited services. We agree with Sunrun and CESA that an aggregator needs time to respond to a utility signal.

Therefore, we require SDG&E to revise its immediate dispatch ability requirements in its RFO materials to a day-ahead dispatch.

Communication and Monitoring Requirements

Tesla requests that SDG&E work with stakeholders to further define communication system and monitoring requirements. Tesla explains that SDG&E's vague Grid and Distribution Energy Management System creates material and cost risk which may discourage a developer from participating in the solicitation.[121]

We find Tesla's request reasonable. To assist Tesla and other potential bidders to determine technical and potential costs associated with communication and monitoring requirements, we require SDG&E to either:

[121] Tesla Protest to SDG&E's AL 3089-E, p.4.

- Provide clarity of communication and monitoring requirements in the RFO documents or
- Work with stakeholders to further define communication system and monitoring requirements.

SDG&E should include these requirements in its RFO materials.

Site Control Requirements

Tesla requests that aggregation of behind-the-meter resources, including behind-the-meter energy storage, should not be subject to site control requirements as requiring site control as an eligibility condition is impractical for customer sited resource aggregations. Tesla explains that SDG&E's draft RFO indicates that customer-sited renewable and customer-sited distributed generation are exempted from site control requirements.[122]

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To be able to evaluate and test the effectiveness of the pilot while minimizing the risk of unforeseen impediments, it is necessary that all essential documents are included. However, we agree with Tesla and CESA in its comments to the Draft Resolution E-4889. Site control should not be an eligibility requirement. DER developers will not be able to recruit customers to participate in a program without an approved contract in place. Therefore, given the importance of site control requirements, SDG&E should consider site control requirements as part of the evaluation criterion.

Eligibility of Fossil Fueled Generators to Participate

Sierra Club requests the Commission modify SDG&E's AL to exclude non-renewable generation resources to conform with Public Utilities Code

[122] Tesla Protest to SDG&E's AL 3089-E, p.5.

Section 769 and to ensure that unresolved legal issues do not undermine the success of the program.[123]

In its response, SDG&E referred to D.17-06-031 which confirmed that fossil fueled generators that meet certain criteria are eligible to participate in this Pilot.[124]

We partially agree with SDG&E, but also clarify that the Assigned Commissioner in the DRP proceeding issued a ruling guidance on February 6, 2015 for Section 769. Specifically, the ruling clarified:

> "Given that the statue defines distributed resources as having to be renewable, the DRPs must first focus on the analysis of Fuel Cells, CHP and internal Combustion engines that are fired by renewable."
>
> "… natural gas-fueled stationary Fuel Cells, CHP, and stationary I-C engines have the potential to reduce GHG emissions, and so the utilities are encouraged to expand the scope of their DRPs to include any distributed generation that can produce GHG emissions reductions over its lifecycle."[125]

Therefore, for the purpose of this Pilot, the utilities may consider non-renewable generation resources but only after they have prioritized and considered renewable resources for the projects. The Commission will also address this issue during the evaluation of the Pilot in 2018.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and

[123] Sierra Club Protest to SDG&E's AL 3089-E, pp.1-2.
[124] SDG&E Response to Sierra Club Protest, p.4.
[125] ACR on Guidance for P.U. Code Section 769 – Distribution Resource Planning, February 6, 2015, p. 14.

comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

On November 20, 2017, PG&E, SCE, SDG&E, CESA, Tesla, ORA, and Sunrun filed comments on Draft Resolution E-4889. The following summarizes comments filed, organized first by common issues followed by utility-specific issues. We discuss our findings and determinations in response to comments in the Discussion section above.

A. Common Issues:

Incrementality

Sunrun encourages the Commission to include a specific finding in the Resolution adopting a "definition" of incremental services which will assist not only developers but also help guide other multi-use-applications (MUAs) for DERs in the Commission's energy storage proceeding (R.15-03-011).[126]

Contingency Plan

Sunrun and CESA recommend that SDG&E revise its eligibility requirements to delete provisions requiring developers to be responsible for detailing cures for failing to meet distribution capacity requirements and instead

[126] Sunrun Comments to DR E-4889, pp.3-5.

include provisions similar to SCE and SDG&E's contingency plan.[127] Sunrun explains that SDG&E's approach which puts the burden on a DER developer to procure replacement capacity is unreasonable when the utility is in a much better position to drive the market to find near term cost-effective replacement.[128] CESA is concerned that having a single counterparty bear the full burden of curing any shortfalls may make their bids cost prohibitive.[129]

Project Development Security & Delivery Term Security

Sunrun agrees with the Draft Resolution's order for the utilities to explain in their pro forma documents the rationale used for each security request, but also recommends the Commission reserve the right to set project development security amounts at levels consistent with other Commission programs. Sunrun explains that the utilities' security requirements do not provide details on the amounts, which it leaves to be determined, and therefore, uncapped. Sunrun states that this leads to significant investments for small projects. Sunrun therefore, suggests the Commission include language that it will administratively set the level of the security request if it determines the rational and methodologies are insufficient to justify the amount requested.[130]

Exporting Constraints

Sunrun agrees with the Draft Resolution's order that utilities do not exclude or prohibit behind-the-meter solutions that export energy to the grid from participating in the solicitation process but recommends deleting Ordering Paragraph 18 which requires utilities to explain jurisdictional or other barriers that would prevent them from considering a contract for behind-the-meter solutions that export energy to the grid. Sunrun explains that the PRG is made up of Energy Division, ratepayer advocates, and the utilities, and it is unlikely

[127] Sunrun Comments to Draft Resolution E-4889. pp.7-8, CESA Comments to Draft Resolution E-4889, p. 3.
[128] Sunrun Comments to Draft Resolution E-4889, pp. 8-11.
[129] CESA Comments to Draft Resolution E-4889, p. 3.
[130] Sunrun Comments to Draft Resolution E-4889. pp.7-8.

that someone would advocate for the fair treatment of behind-the-meter resources.[131]

SCE is concerned that the Draft Resolution's statement, "Section D.3 in Rule 21 establishes that interconnection under Rule 21 does not limit a producer's rights to utilize the utility's distribution or transmission system for the "transmission, distribution, or wheeling of electric power" could be taken out of context since Rule 21 also does not allow usage of the utility's distribution or transmission system.[132]

Developers Responsibility

PG&E and SCE recommend the Commission delete Ordering Paragraph 14 which requires the utilities to clarify in their RFOs that developers are not accountable and should not be liable for delays cause by utility processes and dependencies. SCE explains that the provision included in their agreement was meant to clarify that interconnection and transmission rights, obligations, and dispute resolution is addressed in the interconnection agreement. SCE further states that the rights and obligations of the utilities and developers regarding interconnection and transmission obligations are included in the interconnection agreement between the parties and should not be addressed in the power or other product purchase agreement.[133] PG&E states that this provision is consistent with other pro forma contracts in that absent force majeure, the developer is solely responsible for meeting its development milestones, and faces an event of default if those milestones are not met.[134]

Compliance Supplemental Advice Letter

[131] Sunrun Comments to Draft Resolution E-4889. pp.5-7.
[132] SCE Comments to Draft Resolution E-4889, pp. 6-7.
[133] SCE Comments to Draft Resolution E-4889, pp. 3-4.
[134] PG&E Comments to Draft Resolution E-4889, pp. 3-4.

SCE requests the Commission clarify the dates to complete the IDER pilot including the solicitation process, PRG, and Tier 2 Advice Letter requesting Commission approval of any contracts.[135]

SCE also requests the Commission consider removing the requirements to file compliance supplemental advice letters for future DER procurement.[136]

Findings on Cost-Effectiveness Cap and Calculation and Forecast of Expected Administrative Costs

SCE requests the Commission issue the following findings:

1. SCE's initial cost effectiveness cap for the pilot solicitation is reasonable and approved by the Commission.
2. SCE's forecast of expected administrative costs for the Incentive Pilot solicitation is reasonable and pre-approved for recording in SCE's IDER Administrative Costs Memorandum Account for recovery in SCE's next GRC.
3. Only administrative costs incurred after the launch of the Incentive Pilot solicitation will be included in the cost-effectiveness calculation.[137]

B. PG&E Specific Issues

PG&E requests to file its supplemental advice letter no later than May 1, 2018. PG&E explains that it will not be able to complete the detailed wildfire damage assessments and associate corrective action plans within the 60-day timeframe because of the following:

- The Rincon substation is physically located within the burn zone requiring PG&E to complete testing and assessment of possible internal damage to

[135] SCE Comments to Draft Resolution E-4889, pp. 2-3.

[136] *Id.*

[137] *Id.*

the substation equipment and determine the Rincon substation transformer bank upgrade.

- The Rincon substation serves customers who have been impacted by the fire storms and it will take PG&E several months to full assess any changes to equipment loading which could impact the proposed Rincon substation bank upgrade.
- The Rincon substation is part of a larger portfolio of equipment that serves load in the Santa Rosa area. PG&E will need to determine how damage or reduced loading on other equipment that were impacted by the storms may impact the proposed Rincon substation bank upgrade.[138]

C. SCE Specific Issues

Double Cost Recovery

ORA recommends the Commission deny funding for the Eisenhower Project and instead direct SCE to utilize GRC funds for the IDER pilot project. ORA explains that this modification is reasonable because it provides utilities' reasonable cost recovery while retaining any savings from spending less as an additional incentive for cost savings through deferral.[139]

D. SDG&E Specific Issues

Availability Requirement

SDG&E strongly objects to the removal of the year-round availability requirement. SDG&E reiterates that this would result in unacceptable degradation of reliability to all customers and increase public safety risks. SDG&E states that the Commission should focus more proactively on safety and risk management for our communities in light of the recent California fires.

[138] PG&E Comments to Draft Resolution E-4889, pp. 1-3.
[139] ORA Comments to Draft Resolution E-4889, p.3.

SDG&E provides an example of an automobile striking a power pole requiring SDG&E to de-energize a power line for safety.[140]

Sunrun and CESA recommend that in addition to removing SDG&E's year-round availability requirements, SDG&E should revise its criteria and eliminate requirements for immediate dispatch ability and instead require DER providers to day-ahead dispatch.[141] Sunrun explains that a requirement for immediate availability will also cause the need for substantial investment in communications technology and telemetry on the part of DER aggregators.[142] CESA explains that the day-ahead notification is critical to allowing DER providers to manage their customer-sited services.[143]

Site Control Requirements

Tesla and CESA requests that site control requirements should not be an eligibility requirement for bid submission. Tesla and CESA explain that DER developers will not be able to recruit customers to participate in a new DER aggregation to provide distribution deferral without an approved contract.[144]

FINDINGS

1. D. 16-12-036 directed the Utilities to file a Tier 3 Advice Letter requesting Commission approval to procure a DER solution for the project(s) they selected for the Incentive Pilot.
2. On June 15, 2017, SCE filed AL 3620-E requesting approval to launch its IDER Incentive Pilot solicitation to procure DERs for three deferral projects. On July 28, 2017, SCE filed a supplement modifying the total

[140] SDG&E Comments to Draft Resolution E-4889, pp. 1-3.
[141] Sunrun Comments to Draft Resolution E-4889, pp. 8-11, CESA Comments to Draft Resolution E-4889, pp. 3-4.
[142] Sunrun Comments to Draft Resolution E-4889, pp. 8-11.
[143] CESA Comments to Draft Resolution E-4889, pp. 3-4.
[144] Tesla Comments to Draft Resolution E-4889, pp. 2-3, CESA Comments to Draft Resolution E-4889, pp. 2-3.

number of its proposed deferral projects from three to two, the Farrell Project and the Newbury Project. On September 11, 2017, SCE filed a 2nd supplemental modifying the Farrell Project to the Eisenhower Project.

3. On June 16, 2017, PG&E filed AL 3855-G/5096-E requesting approval to procure DER(s) for the Santa Rosa project. On June 14, 2017, PG&E filed substitute sheets removing the gas advice letter number referencing only AL 5096-E. On October 17, 2017, PG&E requested a 60-day extension of AL 5096-E due to the severe damage caused by the recent and still ongoing fires in the Santa Rosa area. On November 20, 2017 PG&E requested an extension to file its supplemental compliance advice letter to AL 5096-E to May 1, 2018.
4. On June 21, SDG&E filed AL 3089-E requesting approval to procure a DER solution for the Circuit 303 and 783 Project.
5. PG&E AL 5096-E, SCE AL 3620-E/3620-E-A/3620-E-B, and SDG&E AL 3089-E require modifications to their proposals in the filings described herein.
6. D.16-12-036 determined that the Utilities may propose an incremental methodology for the Pilot.
7. PG&E, SCE, and SDG&E's ALs do not provide a clear definition of incremental services.
8. Incremental services are those distinct services offered by a DER under one program or tariff that provide additional value, via altered operations and/or the installation of enhancements to equipment, beyond that expected or required to be provided under another program or tariff to which the DER may subscribe.
9. D.16-12-036 does not provide for reconvening of the DPAG after the solicitation process.
10. PG&E's AL does not include restrictions on how resources are dispatched.
11. SCE's argument that "the cost of any deferred or avoided distribution investment should not be extracted from the utility's GRC prior to the utility's next GRC" applies to them is flawed. The Commission has not yet authorized SCE's revenue requirement.

12. SCE's forecast of expected administrative costs for the pilot solicitation is reasonable and pre-approved for recording in SCE's IDER Administrative Costs Memorandum Account for recovery which is subject to Commission review in SCE's GRC.
13. SDG&E's forecast of expected administrative costs for the pilot solicitation is reasonable and pre-approved for recording in SDG&E's Incentive Pilot Administrative Memorandum Account for recovery which is subject to Commission review in SDG&E's GRC.
14. Only administrative costs incurred after the launch of the pilot solicitation will be included in the utilities' cost effectiveness calculation.
15. SDG&E's presentation in DPAG #5 identified load reductions including peak times during a given year required to achieve new circuit deferral.
16. SDG&E did not provide clear communication and monitoring requirements in its AL.
17. The Utilities' ALs do not provide sufficient supporting rationale for project development security and delivery term security required from developers.
18. The Utilities' ALs lacks customer information that will assist bidders in their approach to a solicitation.

THEREFORE IT IS ORDERED THAT:

1. Southern California Edison's Advice Letter 3620-E/3620E-A/3620-E-B requesting approval to procure DER solutions for the Eisenhower and Newbury Projects is approved as modified herein.
2. San Diego Gas and Electric's Advice Letter 3089-E requesting approval to procure a DER solution for Circuit 303 and 783 (Carlsbad) project is approved as modified herein.
3. Southern California Edison and San Diego Gas and Electric shall file a compliance supplemental advice letter with the modifications adopted herein no later than seven (7) days from the date this Resolution is

adopted. The four-month period to complete the solicitation process as stated in Ordering Paragraph 16 of D. 16-12-036 shall begin upon Energy Division's issuance of a disposition letter on the utilities Tier 1 Compliance Supplemental advice letter. The six-month time period to meet with the Procurement Review Group to allow a review of the proposed contracts and file a Tier 2 advice letter requesting Commission approval of the contract(s) as stated in Ordering Paragraph 17 of D. 16-12-036 shall begin upon Energy Division's issuance of a disposition letter on the utilities' Tier 1 compliance supplemental advice letters.

4. Pacific Gas & Electric shall file a compliance supplemental advice letter no later than May 1, 2018, providing a detailed explanation of its decision to cancel the Rincon Substation project; a full report on learnings and insights on the project preceding its cancellation; and a proposal to solicit, evaluate and implement Distributed Energy Resource distribution deferral solutions at appropriate locations in accordance with Decision16-12-036.
5. Southern California Edison's proposed Incremental Method, a hybrid approach of Methods Four and Five from the CSFWG Final Report is approved subject to compliance with the incrementality principles established in Decision 16-12-036 and the direction regarding incrementality established in this Resolution.
6. San Diego Gas and Electric's proposed Incremental Method, Method Four, to include distribution services is approved subject to compliance with the incrementality principles established in Decision16-12-036 and the direction regarding incrementality established in this Resolution.
7. The Utilities shall clarify those existing resources that offer services that do not conflict with the incrementality principles in Decision 16-12-036, should be considered incremental for the purposes of this pilot.
8. The Utilities shall consult with the Independent Evaluator, Procurement Review Group and the Commission's Energy Division staff whenever a contingency occurs during the solicitation phase.
9. The Utilities shall enforce the contingency mitigations in accordance with the terms of the contract if contingency were to occur during the deployment and operations phase.

10. The Utilities shall follow existing Commission approval and cost recovery processes in the event it becomes necessary to implement a traditional capital investment.
11. The Utilities shall provide distribution planning activity information as part of their RFO documents.
12. The Utilities shall provide two updates to its cost-effectiveness cap via a letter to the Commission's Energy Division IDER staff prior to receiving indicative offers and prior to receiving the final bids. This letter must also be served in redacted form to the R.14-10-003 service list. The Utilities shall explain in their pro forma documents the rationale, including the methodologies used for each security request.
13. The Utilities shall provide as much customer composition information as possible in their RFO materials while preserving customer privacy and confidentiality to help bidders understand the distributed energy resources potential of specific locations.
14. The Utilities shall consult with potential bidders in providing clarification on the communications and monitoring requirements of the projects.
15. The Utilities shall not categorically exclude or prohibit behind-the-meter solutions that export energy to the grid from participating in the solicitation process.
16. To the degree that behind-the-meter solutions that export energy to the grid are cost effective relative to the other bids, the Utilities must explain jurisdictional or other regulatory barriers that would prevent them from considering the contract.
17. San Diego Gas and Electric shall amend its distribution capacity requirements response rate from a year-round availability to reflect the same requirements it presented in Distribution Planning Advisory Group meeting #5.
18. San Diego Gas and Electric shall modify its eligibility requirements to require Distributed Energy Resource providers to respond to day-ahead dispatch signals, in lieu of immediate dispatch capability.
19. San Diego Gas and Electric shall modify its eligibility criteria to delete provisions requiring respondents to be responsible for detailing any

cures (and cure periods) for failing to meet the distribution capacity requirements and include contingency planning provisions similar to those proposed by Southern California Edison and Pacific Gas and Electric.

20. San Diego Gas and Electric shall consider site control requirements as part of the evaluation criterion.
21. The Utilities shall provide business-as-usual distributed energy resource assumptions information in their RFOs to the extent such information helps developers with their bids.
22. Southern California Edison's forecast of expected administrative costs for the pilot solicitation is reasonable and pre-approved for recording in Southern California Edison's IDER Administrative Costs Memorandum Account for recovery and is subject to Commission review in Southern California Edison's General Rate Case.
23. San Diego Gas and Electric's forecast of expected administrative costs for the pilot solicitation is reasonable and pre-approved for recording in San Diego Gas and Electric's Incentive Pilot Administrative Memorandum Account for recovery and is subject to Commission review in San Diego Gas and Electric's General Rate Case.
24. Only solicitation related incremental administrative costs incurred after the launch of the pilot will be included in the utilities' cost effectiveness calculation.
25. The Utilities shall prioritize and consider resources fueled by renewables prior to expanding procurement opportunities to non-renewable generation.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities of the State of California held on December 14, 2017; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN
Executive Director